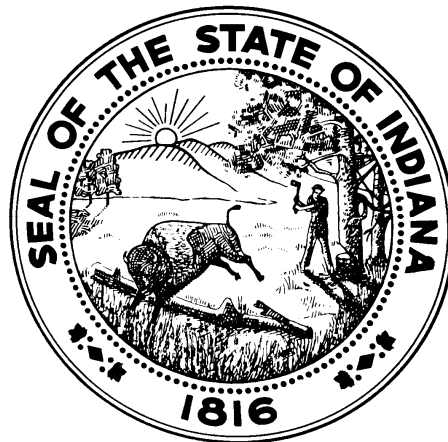


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT
2007

WATER, WASTEWATER, ELECTRIC,
AND GAS UTILITIES
CITY OF JASPER

DUBOIS COUNTY, INDIANA



FILED
07/16/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Juanita S. Boehm	01-01-04 to 12-31-11
Mayor	William J. Schmitt	01-01-04 to 12-31-11
Presiding Officer of the Board of Public Works and Safety	William J. Schmitt	01-01-04 to 12-31-11
Presiding Officer of the Common Council	William J. Schmitt	01-01-04 to 12-31-11
Utilities' General Manager	Gerald W. Hauersperger	01-01-07 to 12-31-08
Water Utility Manager	Michael A. Oeding	01-01-07 to 12-31-08
Wastewater Utility Manager	Thomas Lents Greg Hollinden	01-01-07 to 05-31-08 06-01-08 to 12-31-08
Electric Utility Generation Manager	Windell Toby	01-01-07 to 12-31-08
Electric Utility Distribution Manager	Jerry Schitter	01-01-07 to 12-31-08
Gas Utility Manager	Michael A. Oeding	01-01-07 to 12-31-08
Utility Controller	Linda McGovren	01-01-07 to 12-31-08
Chairman of the Utility Service Board	Mike Harder Mike Schwenk	01-01-07 to 12-31-07 01-01-08 to 12-31-08



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WATER, WASTEWATER, ELECTRIC, AND
GAS UTILITIES, CITY OF JASPER, DUBOIS COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Water, Wastewater, Electric, and Gas Utilities, departments of the City of Jasper, as of and for the year ended December 31, 2007. These financial statements are the responsibility of the Utilities' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements of the Water, Wastewater, Electric, and Gas Utilities, City of Jasper, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City of Jasper as of December 31, 2007, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities for the Water, Wastewater, Electric, and Gas Utilities, as of December 31, 2007, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management's Discussion and Analysis is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Management's Discussion and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

June 12, 2008

**Water, Wastewater, Electric and Gas Utilities
City of Jasper, Indiana
Management's Discussion and Analysis
December 31, 2007**

This discussion and analysis highlights the financial activities of the Water, Wastewater, Electric and Gas Utilities ("Utilities"), a department of the City of Jasper ("City"), for the year ended December 31, 2007. We hope you will find this discussion helpful in assessing the Utilities' financial condition and activities, which are funded primarily through user charges and fees for services. Please read it in conjunction with the Utilities' financial statements and accompanying notes, which follow this discussion and analysis.

Financial Highlights

- The total net assets of the Utilities at December 31, 2007 were \$66,772,967. Of this amount, \$16,062,755 is unrestricted and may be used to meet the Utilities' ongoing obligations to its customers and users.
- The Utilities' unrestricted cash and cash equivalents increased by \$2,386,760, while restricted cash and cash equivalents decreased by \$102,539, for a net cash increase of \$2,284,221.
- The Utilities' total capital assets, net of accumulated depreciation, decreased by \$924,924.
- The Utilities long-term debt decreased by \$1,992,933. This decrease represents the amount of principal payments made during 2007. No new debt was incurred during the year.

Basic Financial Statements

The Governmental Accounting Standards Board (GASB) requires the Utilities to present its financial statements in accordance with GASB Statement No. 34.

The basic financial statements for the Utilities consist of the following:

1. Statement of Net Assets;
2. Statement of Revenues, Expenses and Other Changes in Fund Net Assets;
3. Statement of Cash Flows; and
4. Notes to Financial Statements.

The Statement of Net Assets and the Statement of Revenues, Expenses and Other Changes in Fund Net Assets have been prepared using the accrual basis of accounting. This means that revenue is recorded when earned, and expenses are reflected in the statements when they are incurred, regardless of when the related cash is actually received or disbursed. In doing so, revenues and expenses are more closely matched to the accounting period to which they relate.

In addition to the basic financial statements, supplementary information is also included in the accompanying report.

Condensed Financial Data

The table below provides a summary of the revenues, expenses and changes in net assets for the year ended December 31, 2007, along with comparative figures from 2006:

City of Jasper, Indiana
Water, Wastewater, Electric and Gas Utilities
Statement of Revenues, Expenses, and Other Changes in Fund Net Assets
(000's omitted)

	Water Utility		Wastewater Utility		Electric Utility		Gas Utility		Total Utilities	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Operating revenues	\$ 3,247	\$ 2,939	\$ 2,974	\$ 2,892	\$ 23,906	\$ 20,688	\$ 7,951	\$ 9,670	\$ 38,078	\$ 36,189
Operating expenses	2,254	2,107	2,829	2,892	21,962	19,693	7,862	8,759	34,907	33,451
Operating income (loss)	993	832	145	-	1,944	995	89	911	3,171	2,738
Non-operating revenues (expenses)	(270)	(301)	72	47	422	352	4	51	228	149
Income (loss) before contributions and transfers	723	531	217	47	2,366	1,347	93	962	3,399	2,887
Capital contributions	113	41	66	177	-	-	79	110	258	328
Transfers out	(155)	(150)	-	-	(125)	(121)	(28)	(28)	(308)	(299)
Change in net assets	681	422	283	224	2,241	1,226	144	1,044	3,349	2,916
Total net assets - begin	11,582	11,160	22,554	22,330	24,011	22,785	5,277	4,233	63,424	60,508
Total net assets - end	<u>\$ 12,263</u>	<u>\$ 11,582</u>	<u>\$ 22,837</u>	<u>\$ 22,554</u>	<u>\$ 26,252</u>	<u>\$ 24,011</u>	<u>\$ 5,421</u>	<u>\$ 5,277</u>	<u>\$ 66,773</u>	<u>\$ 63,424</u>

The following table outlines the composition of the Utilities' total net assets as of December 31, 2007, with comparative figures from 2006:

City of Jasper, Indiana
Water, Wastewater, Electric and Gas Utilities
Statement of Net Assets
(000's omitted)

	Water Utility		Wastewater Utility		Electric Utility		Gas Utility		Total Utilities	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 3,167	\$ 2,856	\$ 3,645	\$ 3,472	\$ 12,954	\$ 11,288	\$ 4,091	\$ 4,024	\$ 23,857	\$ 21,640
Capital assets	20,806	21,092	20,617	21,037	15,325	15,543	3,880	3,882	60,628	61,554
Total Assets	23,973	23,948	24,262	24,509	28,279	26,831	7,971	7,906	84,485	83,194
Long-term liabilities outstanding	11,302	11,974	974	1,442	-	328	1,252	1,343	13,528	15,087
Other liabilities	407	392	451	513	2,027	2,491	1,299	1,286	4,184	4,682
Total Liabilities	11,709	12,366	1,425	1,955	2,027	2,819	2,551	2,629	17,712	19,769
Net assets:										
Invested in capital assets										
net of related debt	9,504	9,118	19,362	19,286	15,325	14,808	3,881	3,882	48,072	47,094
Restricted	1,874	1,918	765	1,050	-	3,003	-	-	2,639	5,971
Unrestricted	885	546	2,710	2,218	10,927	6,200	1,540	1,395	16,062	10,359
Total Net Assets	<u>\$ 12,263</u>	<u>\$ 11,582</u>	<u>\$ 22,837</u>	<u>\$ 22,554</u>	<u>\$ 26,252</u>	<u>\$ 24,011</u>	<u>\$ 5,421</u>	<u>\$ 5,277</u>	<u>\$ 66,773</u>	<u>\$ 63,424</u>

Total net assets increased in each of the utilities during 2007, due to the following:

- Income recorded by each utility (\$723,000 in water, \$217,000 in wastewater, \$2,366,000 in electric, and \$93,000 in gas), and
- Contributions to capital made by customers, developers and others (\$113,000 in water, \$66,000 in wastewater, \$0 in electric, and \$79,000 in gas), and
- Transfers to the City for payments in lieu of taxes (\$155,000 from water, \$0 from wastewater, \$125,000 from electric, and \$28,000 from gas).

More detailed information is presented in the Statement of Net Assets; the Statement of Revenues, Expenses and Other Changes in Fund Net Assets; and the Statement of Cash Flows, which are included in the annual report.

Fund Analysis

Water:

In total, the water utility's cash, cash equivalents and investments increased by \$303,000 (12.6%) during the year.

- The operating and maintenance cash increased by \$291,000. Operating revenues were up by \$308,000, while operating expenses rose by \$147,000. This increase was also due in part to funds being transferred from the depreciation fund.
- The depreciation fund decreased by \$52,000 during 2007. Some of the larger expenditures made during 2007 were for the purchase of a loader/backhoe, a new vehicle, and for costs associated with the meter replacement program. Transfers to the operating and maintenance fund also contributed to the decrease in this fund.

Compared to the previous year, operating revenues in the water utility increased \$308,000, and operating expenses increased \$147,000, for an increase in operating income of \$161,000 (19.4%). Water net assets increased by \$681,000 (5.9%).

The average number of water customers for 2007 was 6,033, an increase of 50 over the previous year's average.

Wastewater:

In total, the wastewater utility's cash, cash equivalents and investments increased by \$181,000 during 2007.

- The operating and maintenance fund increased by \$392,000. Both operating and non-operating revenue increased, while overall operating expenses declined. Transfers from the depreciation fund also contributed to this increase.
- Depreciation cash decreased by \$284,000 in 2007, due in part to the transfer of funds to the operating and maintenance fund. Some of the larger expenditures made from this fund were for the sewer relining project, a loader, new drying beds, and generators for two lift stations.
- The interceptor improvement cash increased by \$20,000. The increase was largely due to interest earnings which were credited back to this fund.

- The plant expansion cash decreased by \$7,000 during 2007. Expenditures for new drying beds exceeded revenues generated from connection fees and interest earnings, resulting in a net decrease.

Compared to the previous year, operating revenues in the wastewater utility increased \$82,000, while operating expenses declined by \$63,000, for an increase in operating income of \$145,000. Wastewater net assets increased by \$283,000 (1.3%).

The average number of wastewater customers for 2007 was 6,314, an increase of 70 over the previous year's average.

Electric:

Total cash, cash equivalents and investments for the electric utility increased by \$1,588,000 (22.9%).

- The electric operating and maintenance cash increased by \$1,646,000. While sales revenue increased by \$3,214,000, purchased power and coal costs rose by \$1,679,000.
- The electric utility's depreciation cash increased by \$217,000. Most of the expenditures from this fund were for additions and improvements to the electric distribution system, and for new radio-read meters.
- The electric bond reserve fund was at zero as of the end of the year, a decrease of \$352,000. This amount was available to use for the final principal and interest payment on the maturing 2003 bond issue.

Compared to the previous year, operating revenues in the electric utility increased \$3,218,000, while operating expenses increased \$2,269,000, for an increase in operating income of \$949,000 (95.4%). Electric net assets increased by \$2,241,000 (9.3%).

The average number of electric customers for 2007 was 6,875, an increase of 99 over the previous year's average.

Gas:

The gas utility's total cash, cash equivalents and investments increased by \$212,000, or 13.6%.

- The gas utility's operating and maintenance cash increased by \$57,000. This increase was due to normal fluctuations in cash receipts and cash disbursements.
- The gas utility's depreciation cash increased by \$115,000. Major capital expenditures during 2007 included the purchase of a loader backhoe, in addition to costs associated with the meter replacement program.

Compared to the previous year, operating revenues in the gas utility decreased \$1,719,000, while operating expenses decreased \$897,000, for a decrease in operating income of \$822,000 (90.2%). Gas net assets increased by \$144,000 (2.7%).

The average number of gas customers for 2007 was 4,096, an increase of 26 over the previous year's average.

Overall, total operating revenue for the Utilities increased \$1,889,000 (5.2%) from the previous year, while total operating expenses rose by \$1,456,000 (4.4%). Total net assets of the Utilities increased \$3,349,000 (5.3%), to \$66,773,000.

Capital Asset and Long-Term Debt Activity

Capital Asset Activity:

As of December 31, 2007, the Utilities had \$90,127,000 invested in capital assets, such as land, buildings, improvements, equipment, and electric, water, sewer, and gas lines. Total accumulated depreciation at the end of 2007 was \$29,499,000, resulting in net capital assets of \$60,628,000. The total capital assets of the Utilities are summarized by category as follows:

	(000's omitted)	
	2007	2006
Land	615	615
Buildings	21,103	21,103
Improvements	49,426	48,603
Equipment	18,940	18,815
Construction in Progress	43	135
Total	90,127	89,272
Less: Accumulated depreciation	(29,499)	(27,719)
Total capital assets, net	60,628	61,553

The Utilities recorded approximately \$683,000 for additions and on-going improvements to their respective distribution systems, with \$186,000 of this amount being contributed by developers and customers. Some of this expenditure allowed the Utilities to expand its service area, while a portion of the expenditure was for improvements to, or relocation of, existing distribution systems.

Other major capital additions during 2007 include the following:

- \$289,000 for four loaders.
- \$195,000 to replace older-style electric, water, and gas meters with meters that incorporate newer, more efficient technology. The replacement program is complete in the electric utility, but will continue into 2008 for the water and gas utilities.
- \$86,000 for three new utility vehicles.
- \$71,000 for two new drying beds for the wastewater utility.

See Note I.D.5 and Note II.C. in the attached financial statements for additional information.

Long-term Debt Activity:

As of December 31, 2007 and 2006 the Utilities' outstanding debt consisted of the following:

	<u>2007</u>	<u>2006</u>
• Water Utility	\$11,302,000	\$11,974,000
• Wastewater Utility	\$ 1,255,000	\$ 1,750,000
• Electric Utility	\$ -0-	\$ 735,000
• Gas Utility	\$ 1,252,089	\$ 1,343,022

During 2007, the Utilities made principal payments of \$1,992,933 and interest payments of \$558,184.

See Notes I.D.4, I.D.7, II.B., II.E. and II.F. in the attached financial statements for additional information.

Other Currently Known Facts

- The City is in the process of studying options for upgrading Beaver Lake Dam to Department of Natural Resources new guidelines. Upgrades must be completed within a four year period. Engineering estimates for the various options range from \$830,000 to \$3,630,000.
- The City of Jasper has joined Indiana Municipal Power Agency (IMPA), a not-for-profit organization formed in 1980 by a group of municipally-owned electric utilities for the purpose of planning, financing, owning and operating facilities to provide electric service to its members. Effective January 1, 2008, IMPA began arranging for the power supply, transmission and ancillary services to Jasper under the terms of a contract that continues through the year 2042. The City has also entered into a separate agreement with IMPA to schedule and dispatch the output of the City's electric power plant.
- The electric utility has entered into an agreement with Jasper Chair Company for an exchange of properties located along Vine Street. The electric utility plans to build a new meter building and containment pits on the property acquired from Jasper Chair. Property currently owned by the City will be transferred to Jasper Chair later this year, after construction of the new meter building.
- The City has adopted a new rate ordinance for the wastewater utility. Retail rates will increase by 6.99% for customers within the City, and by 14.13% for those customers outside the City. These increases will be phased in over two years beginning with billings after July 1, 2008. The wholesale rate will also increase, but will be implemented in its entirety in the first year.
- In April 2008, the Utility Service Board accepted a bid of \$199,500 for the wastewater utility's new force main along South Newton Street. This project will increase capacity and improve the flow from the Knies lift station.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Utilities' finances and to show accountability for the money the Utilities receive. If you have questions about this report or need additional financial information, please contact the City's Clerk-Treasurer Office at 610 Main Street, Jasper, Indiana.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
STATEMENT OF NET ASSETS
December 31, 2007

<u>Assets</u>	<u>Water</u>	<u>Wastewater</u>	<u>Electric</u>	<u>Gas</u>
Current assets:				
Cash and cash equivalents	\$ 292,598	\$ 400,200	\$ 4,119,546	\$ 1,010,704
Accounts receivable (net of allowance)	199,952	179,726	1,567,179	834,085
Accounts receivable - other	1,642	1,550	13,016	7,651
Interfund receivables:				
Interfund loans	-	-	1,252,089	-
Interfund services provided and used	14,005	712	83	116
Inventories	203,716	139,145	1,429,976	211,543
Prepaid items	42,479	50,183	167,863	9,859
Total current assets	<u>754,392</u>	<u>771,516</u>	<u>8,549,752</u>	<u>2,073,958</u>
Noncurrent assets:				
Restricted cash, cash equivalents and investments:				
Debt service reserve	1,095,870	275,567	-	-
Depreciation	778,168	489,538	2,868,323	408,484
Computer	24,693	24,782	25,242	25,447
In lieu of taxes reserve	267,850	-	213,146	50,118
Self-insurance liability reserve	195,000	189,750	1,008,147	195,000
Industrial pretreatment	-	63,834	-	-
Plant expansion	-	1,401,532	-	-
Interceptor improvement	-	337,768	-	-
Customer deposits	50,660	85,505	289,743	85,605
Total restricted assets:	<u>2,412,241</u>	<u>2,868,276</u>	<u>4,404,601</u>	<u>764,654</u>
Deferred charges	-	5,060	-	-
Intangible assets - pipeline rights	-	-	-	1,252,089
Capital assets:				
Land, improvements to land and construction in progress	335,469	195,662	110,050	16,904
Other capital assets (net of accumulated depreciation)	20,470,623	20,421,016	15,214,776	3,863,569
Total capital assets	<u>20,806,092</u>	<u>20,616,678</u>	<u>15,324,826</u>	<u>3,880,473</u>
Total noncurrent assets	<u>23,218,333</u>	<u>23,490,014</u>	<u>19,729,427</u>	<u>5,897,216</u>
Total assets	<u>23,972,725</u>	<u>24,261,530</u>	<u>28,279,179</u>	<u>7,971,174</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	347,062	101,528	1,611,452	1,168,935
Interfund payables:				
Interfund services provided and used	199	13,938	712	67
Taxes payable	9,392	-	125,153	42,023
Current liabilities payable from restricted assets:				
Customer deposits	50,660	85,505	289,743	85,605
Performance deposits	-	-	-	1,950
Revenue bonds payable	-	230,000	-	-
Loans payable	-	20,000	-	-
Total current liabilities	<u>407,313</u>	<u>450,971</u>	<u>2,027,060</u>	<u>1,298,580</u>
Noncurrent liabilities:				
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	-	203,628	-	-
Interfund loans	-	-	-	1,252,089
Loans payable	11,302,000	770,000	-	-
Total noncurrent liabilities	<u>11,302,000</u>	<u>973,628</u>	<u>-</u>	<u>1,252,089</u>
Total liabilities	<u>11,709,313</u>	<u>1,424,599</u>	<u>2,027,060</u>	<u>2,550,669</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	9,504,092	19,361,678	15,324,826	3,880,473
Restricted for debt service	1,874,038	765,105	-	-
Unrestricted	885,282	2,710,148	10,927,293	1,540,032
Total net assets	<u>\$ 12,263,412</u>	<u>\$ 22,836,931</u>	<u>\$ 26,252,119</u>	<u>\$ 5,420,505</u>

The notes to the financial statements are an integral part of this statement.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2007

	Water	Wastewater	Electric	Gas
Operating revenues:				
Metered water revenue:				
Residential	\$ 1,561,595	\$ -	\$ -	\$ -
Residential sales	-	-	5,206,171	2,215,869
Commercial and industrial sales	1,492,564	-	18,469,216	5,711,260
Public street and highway lighting	-	-	176,638	-
Fire protection revenue	132,903	-	-	-
Penalties	8,630	23,891	33,726	10,797
Measured revenue:				
Residential	-	1,591,352	-	-
Commercial	-	1,138,493	-	-
Other	51,096	220,694	20,195	12,811
Total operating revenues	<u>3,246,788</u>	<u>2,974,430</u>	<u>23,905,946</u>	<u>7,950,737</u>
Operating expenses:				
Source of supply and expense - operations and maintenance	109,529	-	-	-
Water treatment expense - operations and maintenance	475,247	-	-	-
Production and supply	-	-	-	6,901,944
Power production	-	-	17,837,371	-
Transmission and distribution	346,690	-	865,714	323,963
Collection system - operations and maintenance	-	233,975	-	-
Pumping - operations and maintenance	-	217,790	-	-
Treatment and disposal - operations and maintenance	-	665,016	-	-
Customer accounts	26,052	40,578	38,025	17,309
Administration and general	834,325	1,057,631	2,426,844	490,974
Depreciation and amortization	462,284	614,677	793,922	127,458
Total operating expenses	<u>2,254,127</u>	<u>2,829,667</u>	<u>21,961,876</u>	<u>7,861,648</u>
Operating income	<u>992,661</u>	<u>144,763</u>	<u>1,944,070</u>	<u>89,089</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	136,224	163,084	442,709	75,456
Miscellaneous revenue	22,705	6,618	48,922	1,259
Interest expense	(421,335)	(85,433)	(58,568)	(66,297)
Miscellaneous expense	(7,445)	(12,138)	(11,268)	(6,251)
Total nonoperating revenues (expenses)	<u>(269,851)</u>	<u>72,131</u>	<u>421,795</u>	<u>4,167</u>
Income before contributions and transfers	722,810	216,894	2,365,865	93,256
Capital contributions	113,353	66,216	-	78,677
Transfers out	(154,843)	-	(125,231)	(28,378)
Change in net assets	681,320	283,110	2,240,634	143,555
Total net assets - beginning	<u>11,582,092</u>	<u>22,553,821</u>	<u>24,011,485</u>	<u>5,276,950</u>
Total net assets - ending	<u>\$ 12,263,412</u>	<u>\$ 22,836,931</u>	<u>\$ 26,252,119</u>	<u>\$ 5,420,505</u>

The notes to the financial statements are an integral part of this statement.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2007

	Water	Wastewater	Electric	Gas
Cash flows from operating activities:				
Receipts from customers and users	\$ 3,241,256	\$ 2,975,473	\$ 23,789,895	\$ 7,977,833
Payments to suppliers and contractors	(970,886)	(807,513)	(20,077,114)	(7,238,858)
Payments to employees	(826,550)	(1,452,416)	(1,253,943)	(363,684)
Interfund services provided (used)	19,364	(19,466)	629	(527)
Other receipts	22,518	6,618	48,922	1,259
Net cash provided by operating activities	1,485,702	702,696	2,508,389	376,023
Cash flows from noncapital financing activities:				
Transfer to other funds	(154,843)	-	(125,231)	(28,378)
Interfund loans repayments	-	-	90,933	(90,933)
Interest on interfund loans	-	-	66,297	(66,297)
Net cash provided (used) by noncapital financing activities	(154,843)	-	31,999	(185,608)
Cash flows from capital and related financing activities:				
Capital contributions	113,353	66,216	-	78,677
Acquisition and construction of capital assets	(280,461)	(269,066)	(641,720)	(236,420)
Principal paid on capital debt	(672,000)	(495,000)	(735,000)	-
Interest paid on capital debt	(421,335)	(54,061)	(16,491)	-
Proceeds from sales of capital assets	96,350	67,214	64,682	103,749
Net cash used by capital and related financing activities	(1,164,093)	(684,697)	(1,328,529)	(53,994)
Cash flows from investing activities:				
Interest received	136,224	163,084	376,412	74,456
Net increase in cash and cash equivalents	302,990	181,083	1,588,271	211,877
Cash and cash equivalents, January 1	2,401,849	3,087,393	6,935,876	1,563,481
Cash and cash equivalents, December 31	\$ 2,704,839	\$ 3,268,476	\$ 8,524,147	\$ 1,775,358
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 992,661	\$ 144,763	\$ 1,944,070	\$ 89,089
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	462,284	614,677	793,922	127,458
Amortization expense (see Note II B)	-	-	-	90,933
Bad debt expense	1,471	1,583	10,393	171
Nonoperating revenue and expense	22,518	6,618	48,922	1,259
(Increase) decrease in assets:				
Accounts receivable	(5,532)	1,043	(116,051)	27,096
Interfund services provided or used	19,165	(712)	(83)	(116)
Inventories	(24,634)	(1,736)	(82,452)	26,909
Prepaid items	2,683	3,508	8,865	1,074
Increase (decrease) in liabilities:				
Accounts payable	9,275	19,846	(188,036)	(12,390)
Interfund payables	199	(18,754)	712	(411)
Contracts payable	-	(73,500)	-	-
Taxes payable	1,337	-	66,266	18,986
Performance deposits	-	-	-	(850)
Customer deposits	4,275	5,360	21,861	6,815
Total adjustments	493,041	557,933	564,319	286,934
Net cash provided by operating activities	\$ 1,485,702	\$ 702,696	\$ 2,508,389	\$ 376,023

The notes to the financial statements are an integral part of this statement.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Utilities and are not intended to present fairly the position of the City of Jasper (City), and the results of its operations and cash flows of its enterprise funds. The Utilities, whose operations are controlled by the City, represents a substantial portion of the City's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Utilities' cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the Utilities to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Inventories and Prepaid Items

All inventories are valued at cost using the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in fund financial statements.

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because their use is limited by applicable bond covenants.

4. Intangible Assets

Intangible assets, which include pipeline rights, are reported in the financial statements. Intangible assets are reported at the actual cost. Intangible assets are amortized monthly at an amount equal to the principal paid for the interfund loan relating to the purchase of the intangible assets. The amortization expense is reported as part of the production and supply expense instead of amortization expense because the rights to use the pipeline are an expense of purchasing the gas.

5. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 1,000	Straight-line	67 years
Improvements other than building	1,000	Straight-line	20 to 99 years
Machinery and equipment	1,000	Straight-line	5 to 30 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Water, Wastewater, Electric, and Gas Utilities during the current year was \$421,335, \$85,433, \$58,568, and \$66,297, respectively. None of the interest expense incurred was included as part of the cost of capital assets under construction.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at the rate of 10 days per year. Unused sick leave may be accumulated to a maximum of 120 days. Accumulated sick leave is not paid to employees upon termination.
- b. Vacation Leave – Utility employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.
- c. Personal Leave – Utility employees earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year.

No liability is reported for vacation, sick, and personal leave.

7. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

II. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, 2007, the bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Intangible Assets – Pipeline Rights

On August 25, 2006, the City, through the Utility Service Board, negotiated an agreement with NGM, LLC for the assignment of NGM's ETS Service Agreement and Gathering Agreement with ANR Pipeline Company to the City of Jasper for the City's gas transportation, effective September 1, 2006 to May 31, 2021. The Gas Utility purchased these agreements for pipeline rights at a cost of \$1,359,375. The intangible assets – pipeline rights were amortized based on the principal payments made on the corresponding interfund loan of \$90,933. As of December 31, 2007, the value of the intangible assets – pipeline rights was \$1,252,089.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 292,314	\$ -	\$ -	\$ 292,314
Construction in progress	13,685	72,760	43,290	43,155
Total capital assets, not being depreciated	305,999	72,760	43,290	335,469
Capital assets, being depreciated:				
Buildings	10,427,252	-	-	10,427,252
Improvements other than buildings	10,295,887	140,918	33,116	10,403,689
Machinery and equipment	4,137,981	110,072	110,594	4,137,459
Totals	24,861,120	250,990	143,710	24,968,400
Less accumulated depreciation for:				
Buildings	791,559	157,789	-	949,348
Improvements other than buildings	2,548,123	189,225	12,682	2,724,666
Machinery and equipment	735,914	115,270	27,421	823,763
Totals	4,075,596	462,284	40,103	4,497,777
Total capital assets, being depreciated, net	20,785,524	(211,294)	103,607	20,470,623
Total Water Utility capital assets, net	<u>\$ 21,091,523</u>	<u>\$ (138,534)</u>	<u>\$ 146,897</u>	<u>\$ 20,806,092</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 195,639	\$ -	\$ -	\$ 195,639
Construction in progress	-	70,838	70,815	23
Total capital assets, not being depreciated	195,639	70,838	70,815	195,662
Capital assets, being depreciated:				
Buildings	6,898,962	-	-	6,898,962
Improvements other than buildings	15,859,225	94,715	-	15,953,940
Machinery and equipment	7,249,837	174,328	82,155	7,342,010
Totals	30,008,024	269,043	82,155	30,194,912

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Wastewater Utility (continued):				
Capital assets, being depreciated (continued):				
Less accumulated depreciation for:				
Buildings	1,475,682	92,079	-	1,567,761
Improvements other than buildings	3,156,807	284,444	-	3,441,251
Machinery and equipment	4,534,593	238,154	7,863	4,764,884
Totals	9,167,082	614,677	7,863	9,773,896
Total capital assets, being depreciated, net	20,840,942	(345,634)	74,292	20,421,016
Total Wastewater Utility capital assets, net	<u>\$ 21,036,581</u>	<u>\$ (274,796)</u>	<u>\$ 145,107</u>	<u>\$ 20,616,678</u>
Electric Utility:				
Capital assets, not being depreciated:				
Land	\$ 110,050	\$ -	\$ -	\$ 110,050
Construction in progress	-	261,603	261,603	-
Total capital assets, not being depreciated	110,050	261,603	261,603	110,050
Capital assets, being depreciated:				
Buildings	3,766,220	-	-	3,766,220
Improvements other than buildings	17,537,807	525,581	101,438	17,961,950
Machinery and equipment	6,706,152	116,139	85,039	6,737,252
Totals	28,010,179	641,720	186,477	28,465,422
Less accumulated depreciation for:				
Buildings	2,033,817	64,332	-	2,098,149
Improvements other than buildings	7,493,258	475,412	101,438	7,867,232
Machinery and equipment	3,049,776	254,178	18,689	3,285,265
Totals	12,576,851	793,922	120,127	13,250,646
Total capital assets, being depreciated, net	15,433,328	(152,202)	66,350	15,214,776
Total Electric Utility capital assets, net	<u>\$ 15,543,378</u>	<u>\$ 109,401</u>	<u>\$ 327,953</u>	<u>\$ 15,324,826</u>

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Gas Utility:				
Capital assets, not being depreciated:				
Land	\$ 16,904	\$ -	\$ -	\$ 16,904
Construction in progress	<u>122,537</u>	<u>45,448</u>	<u>167,985</u>	<u>-</u>
Total capital assets, not being depreciated	<u>139,441</u>	<u>45,448</u>	<u>167,985</u>	<u>16,904</u>
Capital assets, being depreciated:				
Buildings	10,926	-	-	10,926
Improvements other than buildings	4,910,105	249,610	53,909	5,105,806
Machinery and equipment	<u>720,655</u>	<u>109,347</u>	<u>106,869</u>	<u>723,133</u>
Totals	<u>5,641,686</u>	<u>358,957</u>	<u>160,778</u>	<u>5,839,865</u>
Less accumulated depreciation for:				
Buildings	4,994	181	-	5,175
Improvements other than buildings	1,543,636	90,502	24,925	1,609,213
Machinery and equipment	<u>350,986</u>	<u>36,775</u>	<u>25,853</u>	<u>361,908</u>
Totals	<u>1,899,616</u>	<u>127,458</u>	<u>50,778</u>	<u>1,976,296</u>
Total capital assets, being depreciated, net	<u>3,742,070</u>	<u>231,499</u>	<u>110,000</u>	<u>3,863,569</u>
Total Gas Utility capital assets, net	<u>\$ 3,881,511</u>	<u>\$ 276,947</u>	<u>\$ 277,985</u>	<u>\$ 3,880,473</u>

Depreciation expense was charged to functions/programs of the Utilities as follows:

Water	\$ 462,284
Wastewater	614,677
Electric	793,922
Gas	<u>127,458</u>
Total depreciation expense	<u>\$ 1,998,341</u>

D. Construction Commitments

Construction work in progress is composed of the following:

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

Project	Total Project Authorized	Expended to December 31, 2007	Committed	Required Future Funding
Water Utility:				
Vehicle storage building	\$ 43,155	\$ 43,155	\$ -	\$ -
Wastewater Utility:				
S Newton force main project	23	23	-	-
Totals	<u>\$ 43,178</u>	<u>\$ 43,178</u>	<u>\$ -</u>	<u>\$ -</u>

E. Interfund Balances and Activity

1. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2007, is as follows:

Due To	Due From				Totals
	Water Utility	Wastewater Utility	Electric Utility	Gas Utility	
Water Utility	\$ -	\$ 13,938	\$ -	\$ 67	\$ 14,005
Wastewater Utility	-	-	712	-	712
Electric Utility	83	-	-	1,252,089	1,252,172
Gas Utility	116	-	-	-	116
Totals	<u>\$ 199</u>	<u>\$ 13,938</u>	<u>\$ 712</u>	<u>\$ 1,252,156</u>	<u>\$ 1,267,005</u>

Interfund balances resulted from the time lag between the dates that (1) interfund loans are repaid, (2) interfund goods and services are provided or reimbursable expenditures occur, (3) transactions are recorded in the accounting system and (4) payments between funds are made.

An interfund loan from the Electric Utility to the Gas Utility of \$1,359,375 was made in 2006 to allow the Gas Utility to purchase the contracts with ANR Pipeline Company for pipeline rights to be used to transport gas. The term of the loan is for five years with the option to extend the loan for an additional five years. The first monthly payment was made in October 2006 with revenue generated through a debt tracker fee associated with the existing gas tracker system. The interest rate for the loan is based on the current local certificate of deposit rates. Principal and interest payments made in 2007 were \$90,933 and \$66,297, respectively. The interfund loan payable as of December 31, 2007 was \$1,252,089 and was classified as a noncurrent liability since the term of the loan exceeds one year.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Interfund Transfers

Interfund transfers at December 31, 2007, were as follows:

Transfer From	Transfer To General Fund
Water Utility	\$ 154,843
Electric Utility	125,231
Gas Utility	<u>28,378</u>
Total	<u>\$ 308,452</u>

The Utilities typically uses transfers to fund ongoing operating subsidies.

F. Long-Term Liabilities

1. Revenue Bonds

The Utilities issue bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
2003 Wastewater refunding bonds (wastewater additions, extensions and improvements)	3.15 % to 3.35%	<u>\$ 465,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Wastewater Utility	
	Principal	Interest
2008	\$ 230,000	\$ 7,559
2009	<u>235,000</u>	<u>3,936</u>
Totals	<u>\$ 465,000</u>	<u>\$ 11,495</u>

2. State Revolving Loan Fund

Wastewater Revolving Loan Fund

Under the terms of the State Revolving Loan Fund, revenue bonds were purchased by the Indiana Bond Bank, the proceeds of which were used to finance the construction of sewer lines to Whoderville/Eastown and the Southwest area of the City. Funds were loaned to the

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

City as construction costs accrued to the maximum allowed. The 2001 loan established a maximum draw of \$1,010,000. At the completion of construction, the outstanding principal balance of \$1,010,000 was amortized over a period of 20 years. Annual debt service requirements to maturity for this loan, including interest of \$215,688, are as follows:

2008	\$ 33,825
2009	71,513
2010	74,937
2011	73,187
2012	71,438
2013-2017	359,363
2018-2022	<u>321,425</u>
Total	<u>\$ 1,005,688</u>

Water Revolving Loan Fund

Under the terms of the State Revolving Loan Fund, revenue bonds were purchased by the Indiana Bond Bank, the proceeds of which were used to finance the construction of a water treatment plant and transmission mains. Funds were loaned to the City as construction costs accrued to the maximum allowed. The 1999 loan established a maximum draw of \$15,000,000. At the completion of construction, the outstanding principal balance of \$15,000,000 was amortized over a period of twenty years. Annual debt service requirements to maturity for this loan, including interest of \$2,846,900, are as follows:

2008	\$ 190,313
2009	1,043,812
2010	1,044,750
2011	1,039,900
2012	1,044,175
2013-2017	5,206,838
2018-2022	<u>4,152,112</u>
Total	<u>\$ 13,721,900</u>

Under the terms of the State Revolving Loan Fund, revenue bonds were purchased by the Indiana Bond Bank, the proceeds of which were used to finance improvements to the south water tower and clearwell conversion. Funds were loaned to the City as construction costs accrued to the maximum allowed. The 2003 loan established a maximum draw of \$600,000. At the completion of construction, the outstanding principal balance of \$530,763 was amortized over a period of twenty years. Annual debt service requirements to maturity for this loan, including interest of \$147,680, are as follows:

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

2008	\$	8,540
2009		38,640
2010		37,760
2011		37,860
2012		37,920
2013-2017		193,520
2018-2022		183,720
2023-2024		<u>36,720</u>
Total	\$	<u>574,680</u>

3. Advance Refunding

In prior years, the Wastewater and Electric Utilities defeased certain revenue and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Utilities' financial statements. The following outstanding bonds, at December 31, 2007, were considered defeased:

	<u>Amount</u>
Wastewater Utility	\$ 790,000
Electric Utility	445,000

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Water Utility:					
Loans payable	<u>\$ 11,974,000</u>	<u>\$ -</u>	<u>\$ 672,000</u>	<u>\$ 11,302,000</u>	<u>\$ -</u>
Wastewater Utility:					
Revenue bonds payable	\$ 915,000	\$ -	\$ 450,000	\$ 465,000	\$ 230,000
Less unamortized discount	7,529	-	3,765	3,764	-
Less deferred amount on refunding	<u>55,215</u>	<u>-</u>	<u>27,607</u>	<u>27,608</u>	<u>-</u>
Total revenue bonds payable	852,256	-	418,628	433,628	230,000
Loans payable	<u>835,000</u>	<u>-</u>	<u>45,000</u>	<u>790,000</u>	<u>20,000</u>
Total long-term liabilities	<u>\$ 1,687,256</u>	<u>\$ -</u>	<u>\$ 463,628</u>	<u>\$ 1,223,628</u>	<u>\$ 250,000</u>

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Electric Utility:					
Revenue bonds payable	\$ 735,000	\$ -	\$ 735,000	\$ -	\$ -
Less unamortized discount	6,034	-	6,034	-	-
Less deferred amount on refunding	36,043	-	36,043	-	-
Total revenue bonds payable	<u>\$ 692,923</u>	<u>\$ -</u>	<u>\$ 692,923</u>	<u>\$ -</u>	<u>\$ -</u>

G. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

Water Utility:	
Debt service reserve account	\$ 1,095,870
Depreciation account	778,168
Computer account	24,693
Customer deposit account	50,660
In lieu of taxes reserve account	267,850
Self-insurance liability reserve account	195,000
Total restricted assets	<u>\$ 2,412,241</u>

Wastewater Utility:	
Debt service reserve account	\$ 275,567
Depreciation account	489,538
Computer account	24,782
Customer deposit account	85,505
Self-insurance liability reserve account	189,750
Industrial pretreatment account	63,834
Plant expansion account	1,401,532
Interceptor improvement account	337,768
Total restricted assets	<u>\$ 2,868,276</u>

Electric Utility:	
Depreciation account	\$ 2,868,323
Computer account	25,242
Customer deposit account	289,743
In lieu of taxes reserve account	213,146
Self-insurance liability reserve account	1,008,147
Total restricted assets	<u>\$ 4,404,601</u>

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

Gas Utility:

Depreciation account	\$ 408,484
Computer account	25,447
Customer deposit account	85,605
In lieu of taxes reserve account	50,118
Self-insurance liability reserve account	<u>195,000</u>

Total restricted assets	<u><u>\$ 764,654</u></u>
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III. Other Information

A. Risk Management

The Utilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees, and Dependents

The Utilities have chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents. The risk financing fund is where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$75,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by all funds with payrolls and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon the percentage of each fund's current year number of employees as it relates to the total number of full-time employees, and are reported as quasi-external interfund transactions. Provisions are also made for unexpected and unusual claims.

B. Subsequent Events

Wastewater Utility

At the April 21, 2008 meeting, the Utility Service Board awarded a bid to American Development and Excavating for the South Newton Street force main project at a cost of \$199,500. Also, at this meeting a bid was awarded to Sendelweck Construction for the construction of drying beds at a cost of \$66,585.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Common Council adopted Ordinance 2008-10 at its meeting on April 23, 2008, to increase the Wastewater Utility rates. The increase amounted to 6.99% for utility customers within the City and 14.13% for utility customers outside the City. The increase will be phased in over two years with the first phase starting with the July 2008 billings.

C. Contingent Liabilities

USEPA Claim

The United States Environmental Protection Agency (USEPA) has filed a claim against the City of Jasper for activities of PCB Treatment, Inc., during or about the 1980s involving the improper and illegal disposal of PCB materials. The USEPA has alleged that the City of Jasper was a potentially responsible party ("PRP") because of PCB contaminated materials allegedly contributed by the City of Jasper, through the Jasper Municipal Utilities, to the sites. The Jasper Municipal Utilities had, in fact, contracted with PCB Treatment, Inc., during or about the 1980's, to properly and legally dispose of Jasper's PCB contaminated materials. There are approximately 1,500 PRP's in addition to the City of Jasper.

The City of Jasper received a letter from the USEPA in June 2001 advising them that they could enter into a de minimis settlement in this matter. The City had two choices of a premium: I) a 100% premium with no cost reopener and II) a 50% premium with a reopener if there are cost overruns that exceed the estimated removal action costs of \$34,752,000 and reach \$60,000,000. Option I would cost the City \$85,707 and option II would cost \$64,280. The Utility Service Board entered into an Administrative Order of Consent, on July 16, 2001, and chose Option II. The amount of \$64,280 was paid on October 19, 2001, to the USEPA's special account. Because the City chose Option II, the reopener could be triggered at a later date and more money could be owed. If the reopener is triggered, the parties who selected Option II will owe their individual percentage share of the allocated weight, multiplied by the amount of removal costs incurred that exceed the \$60,000,000. The City of Jasper's individual percentage share is .12%.

D. Rate Structure

1. Water Utility

On September 24, 1984, the City Council adopted Ordinance 1156 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on January 21, 2004, and amended on November 14, 2007. The Utility has 6,111 customers.

2. Wastewater Utility

The current rate structure was approved by the Council on December 17, 1997, and amended on May 22, 2002, and April 19, 2006. The Utility has 6,351 customers.

3. Electric Utility

On June 12, 1991, the City Council adopted Ordinance 1991-15 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on May 22, 1996, and amended on August 17, 2005. The Utility has 7,034 customers.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Gas Utility

On June 12, 1991, the City Council adopted Ordinance 1991-14 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on December 17, 2003. The Utility has 4,138 customers.

E. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Utilities, contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Utility authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Utility's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	<u>PERF</u>
Annual required contribution	\$ 508,274
Interest on net pension obligation	(13,684)
Adjustment to annual required contribution	<u>15,594</u>
Annual pension cost	510,184
Contributions made	<u>518,680</u>
Decrease in net pension obligation	(8,496)
Net pension obligation, beginning of year	<u>(188,751)</u>
Net pension obligation, end of year	<u><u>\$ (197,247)</u></u>
Contribution rates:	
Utilities	8.0%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-05	\$ 426,854	111%	\$ (229,571)
	06-30-06	528,649	92%	(188,751)
	06-30-07	510,184	102%	(197,247)

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES
CITY OF JASPER
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 7,551,061	\$ 10,250,137	\$ (2,699,076)	74%	\$ 6,497,215	(42%)
07-01-06	8,135,268	10,248,737	(2,113,469)	79%	6,445,174	(33%)
07-01-07	9,293,431	11,298,348	(2,004,917)	82%	6,849,807	(29%)

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITY
CITY OF JASPER
AUDIT RESULT AND COMMENT

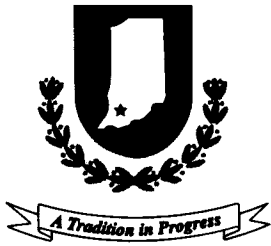
ACCOUNTS RECEIVABLE

The Accounts Receivable Report (detail) total did not agree with the accounts receivable balance per the general ledgers (control) as of December 31, 2007. The difference was the result of a computer allocation problem which caused the general ledger balance for one utility to be understated and the other three utilities to be overstated with a net effect of zero. Adjustments were made to correct some customer accounts. However, after the adjustments were made, a difference between the Accounts Receivable Report and the general ledgers still existed and the Utility Office personnel believed that the problem was with the Accounts Receivable Report totals. Upon further examination during the audit, it was discovered that some adjustments made by the computer programmers in the billing portion of the system did not get posted to the general ledger. Therefore, adjustments should be made to the accounts receivable balances in the general ledger. After those adjustments are made, the balances of the accounts receivable accounts in the general ledger should agree with the total of the Accounts Receivable Report.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITY
CITY OF JASPER
EXIT CONFERENCE

The contents of this report were discussed on June 12, 2008, with William J. Schmitt, Mayor; Juanita S. Boehm, Clerk-Treasurer; Gerald W. Hauersperger, Utilities' General Manager; and Linda McGovren, Utility Controller. The official response has been made a part of this report and may be found on pages 32 and 33.



JASPER MUNICIPAL UTILITIES

P.O. Box 750 • 610 Main Street • Jasper, Indiana 47547-0750

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www.jasperindiana.gov

June 12, 2008

State Board of Accounts
302 W. Washington Street, Room E418
Indianapolis, IN 46204-2769

RE: OFFICIAL RESPONSE

Dear Audit Examiners,

This is an official response to the City of Jasper 2007 audit results and comments presented at the June 12, 2008 exit conference.

ACCOUNTS RECEIVABLE

Audit results and comments

The Accounts Receivable Report (detail) total did not agree with the accounts receivable balance per the general ledgers (control) as of December 31, 2007. The difference was the result of a computer allocation problem which caused the general ledger balance for one utility to be understated and the other three utilities to be overstated with a net effect of zero. Adjustments were made to correct some customer accounts. However, after the adjustments were made, a difference between the Accounts Receivable Report and the general ledgers still existed and the Utility Office personnel believed that the problem was with the Accounts Receivable Report totals. Upon further examination during the audit, it was discovered that some adjustments made by the computer programmers in the billing portion of the system did not get posted to the general ledger. Therefore, adjustments should be made to the accounts receivable balances in the general ledger. After those adjustments are made, the balances of the accounts receivable accounts in the general ledger should agree with the total of the Accounts Receivable Report.

Response

A one-time computer allocation problem caused the Accounts Receivable Report (detail) total and the accounts receivable balance per the general ledgers (control) to differ as of December 31, 2007.

When a customer pays his utility bill, the payment is applied to a certain billing date and allocated in a predetermined order to each utility shown on a customer's account.

The Utilities required a modification to its computer software that indicated how to allocate a customer's payment when items such as sewer liens are involved. The modification made certain assumptions about the amount of the payment. When a payment from a sewer lien customer did not follow these modification assumptions, several payments were incorrectly allocated among the various utilities. Our computer programmers identified and corrected the affected accounts within the utility billing system; however, the corresponding general ledger entries were not generated by the system. As a result, the general ledger and the accounts receivable report by utility did not match, although in total they were in balance. Due to the considerable amount of time spent on this one-time occurrence relative to the small dollar amount involved, Utility Office personnel asked the programmers to suspend work on this matter, pending review by the examiners.

The software modification was changed to prevent this allocation error from recurring. Manual journal entries have been made, and the general ledger accounts receivable balance agrees with the accounts receivable report in each utility.

Respectfully submitted,



Juanita S. Boehm
Clerk-Treasurer
City of Jasper, Indiana



Gerald W. Hauersperger
General Manager of Utilities
Jasper Municipal Utilities